

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 AGRE-00
/084 W

-----020953Z 033894 /10

R 020540Z JUN 77

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2001

INFO AMCONSUL KARACHI

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EGEN, PK

SUBJECT: GOP ESTIMATE OF ECONOMIC SITUATION

REF: ISLAMABAD 4752

1. FINANCE MINISTER PIRZADA IN A MAY 31 INTERVIEW WITH ONE OF THE PAKISTANI WIRE SERVICES, SAID THAT PAKISTAN'S CURRENT ECONOMIC SITUATION WAS "GRIM" AND THAT FY 78 WOULD BE "A HARD YEAR". PIRZADA'S INTERVIEW REVEALS LITTLE THAT IS NEW, BUT WE ARE REPORTING IT SINCE IT INCLUDES THE FIRST OFFICIAL GOVERNMENT ASSESSMENT OF THE EFFECTS OF THE DISTURBANCES ON PAKISTAN'S ECONOMY.

2. PIRZADA CITED AS THE PRINCIPAL ECONOMIC FAILURE OF THE PAST YEAR THE VERY POOR COTTON CROP, WHICH HE ASCRIBED TO WEATHER PROBLEMS AND "OTHER REASONS". TAKING INTO ACCOUNT THE IMPACT OF THE COTTON CROP ON THE TEXTILE INDUSTRY, HE CLAIMED THAT THIS FAILURE HAD COST THE COUNTRY THEEQUIVAQENT OF \$500 MILLION

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INCLUDING \$250 MILLION IN EXPORTS. IN ADDITION, THE POLITICAL DISTURBANCES HAD DISRUPTED THE ECONOMY. THE HARDEST HIT SECTOR HE SAID HAD BEEN INDUSTRY, IN WHICH HE CITED A FIGURE OF 60 WORKING DAYS LOST. ALSO SEVERELY AFFECTED HAD BEEN EXPORTS. IN ADDITION TO THE DROP IN COTTON EXPORTS, PIRZADA ESTIMATED THAT THE DISTURBANCES HAD COST PAKISTAN ONE HUNDRED MILLION

DOLLARS IN LOST EXPORTS. HIS OVERALL ASSESSMENT OF THE EFFECT ON PAKISTAN'S ECONOMY OF THE POLITICAL DISTURBANCES WAS A GNP LOSS OF \$400 TO \$500 MILLION.

3. PCDZADA STRESSED THAT THE COMING YEAR WOULD BE A DIFFICULT ONE. IN ANSWER TO A QUESTION, HE DENIED THAT THE GOVERNMENT HAD HELD UP DEVELOPMENT PROJECTS WHICH WERE LESS THAN 20 PERCENT COMPLETED, BUT WENT ON TO SAY THAT THE CABINET WAS REEXAMINING PRIORITIES AND WOULD HAVE TO CURTAIL UNNECESSARY EXPENDITURES PROPOSED FOR CERTAIN SCHEMES. IN THIS CONNECTION, HE EMPHASIZED THAT KEY PROJECTS IN THE AREAS OF EDUCATION, HEALTH AND SOCIAL SERVICES WOULD CONTINUE.

4. COMMENT: IN OUR JUDGEMENT, PIRZADA PROBABLY ATTRIBUTES SOMEWHAT MORE OF PAKISTAN'S ECONOMIC TROUBLES TO THE POLITICAL DISTURBANCES THAN IS REALLY WARRANTED, BUT HIS ASSESSMENT IS OTHERWISE IN ACCORD WITH OUR OWN. IN PARTICULAR, WE SHARE HIS ESTIMATE THAT THE DISTURBANCES COST PAKISTAN \$100 MILLION IN EXPORTS.

5. THIS INTERVIEW WAS RELEASED ON THE SAME DAY THAT THE PRESS CARRIED A REPORT GIVING THE DATE OF THE FY 78 BUDGET AS JUNE 11. WE ASSUME THAT THE INTERVIEW WAS IN PART AN EFFORT TO PREPARE THE NEWSPAPER READING PUBLIC FOR A RELATIVELY TIGHT BUDGET.
CONSTABLE

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